

Operational Level 1

Fundamentals of Financial Accounting

1) Error of Omission:

Error of Omission: Drawing by Mr. Ahmed for Rs.10,000 was unrecorded.

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Drawing		10,000	
	Cash			10,000

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Drawing		10,000	
	Cash			10,000
	(To correct the error in drawing)			

2) Error of Commission:

1 Error of Commission: A sale of Rs.1100 to Saima is entered in the account of Seema.

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Account Receivable-Saima		1,100	
	Sales			1,100

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Account Receivable-Seema		1,100	
	Sales			1,100

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Account Receivable-Saima		10,000	
	Account Receivable-Seema			10,000
	(To correct the error of receivable)			

2 Error of Commission: Purchased goods from Izzan Rs.14,000 but recorded in the account of Kashan.

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Purchases		14,000	
	Account Payable-Izzan			14,000

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Purchases		14,000	
	Account Payable-Kashan			14,000

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Account Payable-Kashan		14,000	
	Account Payable-Izzan			14,000
	(To correct the error of payable)			

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3 Error of Commission: Purchased goods from Samina Rs.10,000 was recorded as sale of goods to Samina

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Purchases		10,000	
	Account Payable-Samina			10,000

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Account Receivable-Samina		10,000	
	Sales			10,000

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Sales		10,000	
	Purchases		10,000	
	Account Receivable-Samina			10,000
	Account Payable-Samina			10,000
	(To correct the error of payable and receivable)			

3) Error of Principle:

1 Error of Principle: Paid installation charges for new machine Rs.10,000 and recorded it as installation expense.

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Machine		10,000	
	Cash			10,000

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Installation Expense		10,000	
	Cash			10,000

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Machine		10,000	
	Installation Expense			10,000
	(To correct the error of capital expenditure)			

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4) Error of Original Entry:

1 Error of Original Entry: Customer returned goods Rs.40,000 but it was recorded as Rs.4,000

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Sales Return & Allowance		40,000	
	Accounts Receivable			40,000

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Sales Return & Allowance		4,000	
	Accounts Receivable			4,000

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Sales Return & Allowance		36,000	
	Accounts Receivable			36,000
	(To correct the error of original entry relating sales return)			

2 Error of Original Entry: Returned merchandise to supplier Rs.30,000 but it was recorded as Rs.300,000.

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Accounts Payable		30,000	
	Purchase Return & Allowance			30,000

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Accounts Payable		300,000	
	Purchase Return & Allowance			300,000

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Purchase Return & Allowance		270,000	
	Accounts Payable			270,000
	(To correct the error of original entry relating purchase return)			

5) Error of Complete Reversal:

1 Complete Reversal of Entry: Deposited cash into bank Rs.20,000 but it was recorded by debiting cash and crediting bank.

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Bank		20,000	
	Cash			20,000

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Cash		20,000	
	Bank			20,000

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Bank		40,000	
	Cash			40,000
	(To correct the error of reversal in cash deposited into bank)			

6) Error of Transposition:

Tranposition Error: Paid salaries for Rs.3290 but recorded it as 3920.

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Salaries Expense		3,290	
	Cash			3,290

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Salaries Expense		3,920	
	Cash			3,920

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Cash		630	
	Salaries Expense			630
	(To correct transposition error relating salaries)			

7) Compensating Error:

Compensating Error: Purchased goods on credit Rs.10,000 and sold goods on credit Rs.15,000.

Sales account has been overstated by Rs.100 and purchases account has also been overstated by Rs.100.

Correct Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Purchases		10,000	
	Accounts Payable			10,000
	Accounts Receivable		15000	
	Sales			15000

Incorrect Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Purchases		10,100	
	Accounts Payable			10,000
	Accounts Receivable		15000	
	Sales			15100

Correcting Entry

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
	Sales		100	
	Purchases			100
	(To correct compensating error in sales and purchases)			